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DEVELOPMENT OF SOCIALIST ECONOMY IN THE PEOPLE'S DEMOCRACIES

Voprosy Ekonomiki, No 7
Moscow, July 1954

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As a result of important social and economic changes, the capitalistic elements have been almost wholly removed from industry in the People's Democracies.

The following data indicate the progressive increase of the relative proportion of the socialist sector in total industrial production in the People's Democracies since World War II. The share of the socialist sector in the total industrial production of Poland was 56.3 percent in 1946, 94.5 percent in 1949, and 99.6 percent in 1952; Czechoslovakia, 75 percent in 1946, 95 percent in 1948, and 99 percent in 1952; Hungary, 56 percent in 1946, 92 percent in 1949, and 98 percent in 1952; Rumania, 95.4 percent in 1950 and 96.5 percent in 1952; Bulgaria, 33.5 percent in 1946, 93 percent in 1948, and 99.9 percent in 1952; and in Albania, 73 percent in 1947 and 99 percent in 1952.

In agriculture, the small, individual, peasant farms still predominate, but the relative proportion of socialized agriculture in these countries is growing rapidly, although its over-all level, with the exception of Bulgaria, is still relatively low. The following table, indicating the extent to which agriculture has been socialized, shows the percentage of plowed land cultivated by the socialized sector in the People's Democracies in 1952-1953.

	<u>Percentage of Plowed Land</u>
Poland	10.6
Czechoslovakia	43.0
Hungary	37.0
Rumania	23.3
Bulgaria	60.5
Albania	9.5

Great successes are also being achieved in ejecting capitalist elements from wholesale and retail trade. In 1952, the proportion of the socialist sector in wholesale and retail trade was as follows: Poland, 95.6 percent; Czechoslovakia, 99 percent; Hungary, 99 percent; Rumania, 70 percent; Bulgaria, 99.3 percent; and Albania, 84.6 percent.

The relative proportion of the socialist sector's production in the national income testifies to the achievements in the development of socialism in the national economy. The proportion of the socialist sector in the national income of Poland was 49.5 percent in 1946, 65.7 percent in 1949, 75.0 percent in 1952; of Czechoslovakia, 50.3 percent in 1946, 61.9 percent in 1949, 90 percent in 1952; of Hungary, 53.8 percent in 1948, 70 percent in 1950, 86.6 percent in 1952; of Rumania, 52.1 percent in 1948, 62.7 percent in 1950, 70 percent in 1952; and in Bulgaria, 39 percent in 1948, 68.6 percent in 1950, and 82.3 percent in 1952.

Enterprises of the socialist sector constitute the primary source and basis of the national income of Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, and Albania.

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The socialist structure is the directing and predominant structure in the economy of the People's Democracies; industrialization, socialist reorganization of the small producer's economy, and limitation and elimination of private capitalistic elements are being accomplished on its basis. The People's Democracies are steadily advancing toward complete victory of the socialist structure over the private capitalistic system.

Development Determined by Economic Law

In proportion to the growth and strengthening of the socialist structure in the People's Democracies, the development of the national economy of these countries is being determined to an ever greater degree by the fundamental economic law of socialism. The fundamental economic law of socialism not only directly affects the socialist structure of the national economy, but at the same time exerts an indirect influence on small producers, since their output is, to an increasingly great extent, exchanged for the output of socialist industry.

Under conditions of transition, along with the new economic laws, the economy of the People's Democracies retains several old economic laws, although their sphere of operation is limited. For example, in these countries the scope of the operation of the law of cost encompasses all three social and economic strata: private capital, small producers, and socialist economy, although the extent of its operation is different in each one of them. In the period of transition, the operation of the law of cost extends particularly to commodity turnover, where to a certain extent it maintains its role as a regulator.

Under the present conditions in the People's Democracies, commodities belong not only to the state and to cooperatives, but also to private individuals, i.e., to small producers and capitalist owners. This means that such factors as cost, money, prices commodity production and commodity turnover may be, and are, utilized by the government of the People's Democracies for the consolidation and expansion of socialism, as well as by capitalistic elements in their struggle against the expansion of socialism. The economic policy of the government is directed toward limitation of capitalistic elements in accordance with the aim of preparing the necessary conditions for their future liquidation.

While developing trade with rural areas and expanding the contract system, procurement, and supply, the state concentrates in its hands a constantly increasing amount of agricultural commodities which provides it with an opportunity to improve its supplying operations with respect to food and industrial raw materials. By all these methods, the governments of the People's Democracies exert their influence on prices, and restrict and eliminate the negative effects of the law of cost.

Historical peculiarities of the People's Democracies must be considered in carrying out socialist industrialization of their economy. Whereas the USSR carried out socialist industrialization completely independently and under conditions of complete capitalist encirclement, the People's Democracies are carrying out socialist industrialization under considerably more favorable international conditions, and with the assistance of the USSR.

The People's Democracies receive technical and financial aid from the USSR on advantageous and profitable terms. Whereas the USSR received very few loans from other countries, and was obliged to pay high interest rates (up to 20 percent) on those few small loans which it did receive, the People's Democracies receive from the USSR large loans under exceptionally favorable conditions, at an interest rate of one percent per annum. The scientific and technical aid and the loans extended by the USSR play an enormous part in the industrialization of the People's Democracies.

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Another historical peculiarity in the development of the People's Democracies along socialist lines lies in the fact that the building of socialism is being carried out on the basis of a growing international socialist division of labor within the socialist camp. The People's Democracies are spared the task, which is beyond their capabilities, of each developing all the branches of heavy industry. Each of the People's Democracies, while carrying out industrialization, can concentrate on the development of those branches of industry for which conditions seem most favorable and which are of the greatest importance to the national economy of a given country as well as the socialist camp as a whole.

Socialist Camp is Powerful Cooperative

The socialist camp represents an enormous and powerful cooperative with a correct socialist division of labor, making it actually possible to coordinate the national economic plans of all the countries belonging to it. The industrial base of each country is a component part of the whole industrial base of the socialist camp. All these peculiarities of socialist industrialization of the People's Democracies substantially facilitate and accelerate the rate of economic socialization in these countries.

As is well known, in the past all the People's Democracies, except Czechoslovakia, were backward agrarian-industrial or agrarian countries. Poland, Hungary, and Rumania were agrarian-industrial countries. Bulgaria was an agrarian country with a weakly developed industry. Economically, Albania was the most backward, with large survivals of a patriarchal order. The industrial development of Czechoslovakia was one-sided, and one of the most important provinces of the republic, Slovakia, remained backward and agrarian. World War II and the occupation of the Central and Southeastern European countries by the Germans resulted in an enormous repression of the economy of these countries.

The first national economic plans of the People's Democracies were designed to restore the war-damaged economy. However, this was not to be a simple restoration of prewar economy; various measures for the reconstruction of the economy were designed to simultaneously convert it into a socialist order. The majority of the People's Democracies initiated the first national economic plans in 1947 when the 3-year plans of Poland (1947-1949) and Hungary (1 August 1947-1 August 1950) and the 2-year plans of Czechoslovakia (1947-1948) and Bulgaria (1947-1948) were started. In Rumania the first one-year plan was instituted in 1949 and in Albania the first 2-year plan was begun in 1950. Because of the enthusiasm of the working class, the leadership of the Communist and workers' parties, the development of socialist competition, and considerable aid from the USSR, the first national economic plans in the People's Democracies were successfully fulfilled.

During the reconstruction period (1946-1949), large strides were made in eliminating the technical and economic backwardness of the People's Democracies. In all of these countries, industry was not simply reconstructed, but, as a rule, was expanded considerably beyond the prewar level of industrial production, especially in heavy industry. At the end of the reconstruction period, industrial production in Poland exceeded the prewar level 75 percent; in Czechoslovakia, 10 percent; in Hungary, 37.5 percent; in Bulgaria, 85 percent; in Rumania, 60 percent; and in Albania by 4.7 times.

As a result of the successful fulfillment of the plans, vitally important problems in the reconstruction of industry and agriculture and the expansion of the socialist sector of the national economy were solved, and a substantial increase in the material and cultural level of the life of the workers was achieved.

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Fulfillment of the first national economic plans created the necessary economic and political conditions for the development of the national economy on the basis of long-term 5- and 6-year plans.

In 1949, the workers of Bulgaria and Czechoslovakia began to put into effect their 5-year plans. Since 1950, a 6-year plan has been in effect in Poland, while Hungary instituted its 5-year plan in 1950. Rumania and Albania have had 5-year plans in effect since 1951.

Plans Founded on Marxist-Leninist Theory

In the People's Democracies, the national economic plans are founded on the basis of Marxist-Leninist theory and broad utilization of Soviet experience in socialist planning, and reflect the demands of the basic economic law of planned, proportional development of the national economy. The planning principle in the People's Democracies, however, must contend with bitter resistance from hostile class forces, headed by private petty bourgeois property owners. This creates the necessity for different forms and methods of planning and regulation of the various branches of the national economy. Methods of direct state planning are applied broadly in these branches of the national economy where state ownership of producer goods predominates. Enterprises belonging to these branches operate on the basis of state plans which determine the volume of production, assortment of products, material supplies, the labor force, and the fundamental technical-economic indexes of production activities.

In those branches and sectors of the national economy where small commodity production or capitalistic elements still predominate, the state employs both the planned assignments and economic regulation designed to further strengthen the union of the working class and the working peasantry.

A high rate of industrialization, with emphasis on increasing production of producer goods, has been ensured in the People's Democracies. For example, the volume of industrial production in 1953 increased over that of 1952 as follows: Poland, 17.5 percent; Czechoslovakia, 10 percent; Hungary, 11.3 percent; Rumania, 14.4 percent; Bulgaria, 12 percent; and Albania, 22 percent.

The above data indicate that the rate of increase in industrial production is unequal in the various countries. Historical factors in the development of individual countries, as well as the degree of socialist industrialization in each country, determine this difference in the level of industrial production.

As has been stated before, the People's Democracies have been converted into highly developed industrial-agrarian countries. The leading place that industry now occupies in the national economy, except in Albania, is illustrated by the following data:

Relative Proportion of Industrial and Agricultural Production in the Total Valuation of Production, Based on 100 Percent

	<u>Poland</u>			<u>Czechoslovakia</u>			<u>Hungary*</u>		
	<u>1937</u>	<u>1949</u>	<u>1952</u>	<u>1937</u>	<u>1948</u>	<u>1953</u>	<u>1930</u>	<u>1950</u>	<u>1953</u>
Industry	45.5	65.5	75.6	58.0	75.0	83.7	42.0	54.8	77.2
Agriculture	54.5	34.5	24.4	42.0	25.0	16.3	58.0	45.2	22.8

* Proportion of national income

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	<u>Rumania</u>			<u>Bulgaria</u>			<u>Albania</u>		
	<u>1939</u>	<u>1949</u>	<u>1951</u>	<u>1939</u>	<u>1948</u>	<u>1952</u>	<u>1938</u>	<u>1947</u>	<u>1950</u>
Industry	40.0	47.6	60.4	33.8	50.7	66.6	18.3	21.3	40.6
Agriculture	60.0	52.4	39.6	66.2	49.3	33.4	81.7	78.7	59.4

The People's Democracies, leaning on the experience and aid of the USSR, are achieving socialist industrialization on the basis of development of heavy industry.

Relative Proportion of the Output of Producer Goods
and Consumer Goods in the Total Value of Total Industrial Production,
Based on 100 Percent

	<u>Poland</u>			<u>Czechoslovakia</u>			<u>Hungary</u>		
	<u>1937</u>	<u>1949</u>	<u>1952</u>	<u>1937</u>	<u>1948</u>	<u>1952</u>	<u>1938</u>	<u>1949</u>	<u>1953</u>
Producer goods	47.0	59.1	55.8	40.0	56.0	62.0	34.9	48.0	63.0
Consumer goods	53.0	40.9	44.2	60.0	44.0	38.0	65.1	52.0	37.0

	<u>Rumania</u>			<u>Bulgaria*</u>			<u>Albania</u>		
	<u>1938</u>	<u>1951</u>	<u>1952</u>	<u>1939</u>	<u>1948</u>	<u>1952</u>	<u>1938</u>	<u>1947</u>	<u>1950</u>
Producer goods	36.8	54.4	57.4	23.0	26.0	43.9	12.5	20.7	23.3
Consumer goods	63.2	45.6	42.6	77.0	74.0	56.1	87.5	69.3	76.7

* Comparison taken for republic industry only; including timber cutting and fish take it constituted 38.6 and 61.4 percent in 1952

In the general background of rapid development of all branches of industry, the output of producer goods in Poland, Czechoslovakia, Hungary, and Rumania outstripped that of consumer goods. There was also a rapid growth of heavy industry in both Bulgaria and Albania. Heavy industry in these countries, leaning upon a stable power and raw-material base, is producing complex modern machine-tools, power equipment, ships, tractors, motor vehicles, complex agricultural machinery, etc. A considerable increase in light and food industry producing consumer goods was also achieved.

Agriculture, Light Industries Expanded

The 1953 and 1954 plenums of the central committees and congresses of the Communist and workers' parties brought to light shortcomings in the development of the national economy and resulted in decisions which have important bearing on the elimination of disproportions observed in the development of agriculture, industry, and major consumer goods. While continuing further socialist industrialization, the People's Democracies have also been doing considerable work in expanding the development of agriculture and the light and food industries. For example, the Rumanian People's Republic planned to increase its capital investment in the food industry to 1.8 billion lei as compared to the 980 million lei contemplated in the Five-Year Plan. The output of the food industry -- meat, fish, vegetable oil, sugar and other products -- increased 40-60 percent in 1954 over 1953. Approximately 1.2 billion lei, double the amount earlier planned, has been allocated for increased production in the textile and footwear industries in 1954-1955. The following output of

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products has been planned: cotton fabrics, about 210 million meters in 1954 and 250 million meters in 1955; wool fabrics, 30 million meters in 1954 and 32.5 million meters in 1955. Production of leather footwear will exceed 10 million pairs in 1955.

In the Polish People's Republic, capital investments in the consumer goods industry will increase 30-40 percent in 1955 over 1953. Production of both meat and dairy products will increase 17 percent in 1955 over 1953. More attention is being given to the development of the fish, fats, confectionery, and other branches of the food industry. At the end of the Six-year Plan, production of cotton fabrics will increase 12 percent over 1953; wool fabrics, 11 percent; and silk fabrics, 20 percent.

In the course of the Five-year Plan, Albania will construct a fish plant, several factories for processing vegetables, a bread plant, and other enterprises producing consumer goods. Extensive measures are also being undertaken for the development of the consumer goods industry in Hungary, Czechoslovakia, and Bulgaria, where capital investments in the light and food industries and industrial cooperatives in 1954-1955 will be increased several times over those of 1953.

Industrial production in the People's Democracies in 1953 exceeded the pre-war level (1937) by 207 percent. Socialist industrialization demands considerable investments. Rapid development of heavy industry raises questions about the source of capital, since heavy industry demands extraordinarily large investments, the turnover of which is much slower than in light industry. For socialist industrialization, the People's Democracies draw upon internal socialist accumulation and upon the aid extended them by the USSR.

Utilizing the experience of the USSR, the workers of the People's Democracies are now mastering new techniques and introducing progressive, highly productive methods of production. They are also successfully developing a program including multiple machine operation by one worker, high speed metal cutting, economy, rapid turnover of working capital, lowering production costs in each production operation, quality control, increasing the profitability of enterprises, etc. A program of mass socialist competition is encompassing the majority of the workers in the People's Democracies. As a result, economy of labor, materials, and power, as well as better utilization of machinery and mechanical equipment is being achieved. This brings about a reduction of production costs and the cost of construction and repair of enterprises, and, eventually, an increase of internal industrial accumulation, which is applied to socialist industrialization.

Mobilization of savings of the population through state loans is also of certain importance to socialist industrialization.

The People's Democracies employ financial and economic aid from the USSR to a significant extent for realization of their broad program of socialist industrialization. Economic collaboration and reciprocation of the People's Democracies with the USSR and among themselves is an important aid to their socialist industrialization as well as to the development of the national economy as a whole.

Land Ownership Retained in People's Democracies

The People's Democracies are confronted with the same problem that once faced the USSR. It is impossible for national authority to rest indefinitely on two different bases -- large-scale industry and extremely small and fragmented agriculture. The struggle for socialized transformation of agriculture is being carried out in the People's Democracies on the basis of cooperation.

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Naturally, the procurement and sales types of cooperatives, as the most simple, accessible, and familiar to the small producer, are being developed first in the rural areas. However, only the producer cooperatives are able to lead the villages out of centuries of poverty and terminate forever the exploitation of the working peasants by the kulaks. The distinction between agricultural producer cooperatives of the People's Democracies and those of the USSR is that the former are based on private land ownership. In the People's Democracies, the peasants were not prepared for nationalization of land; the historical peculiarities in the development of these countries inculcated in the peasantry a stronger attachment for a plot of land than was the case in Tsarist Russia. That is why the Communist and workers' parties did not propose demands for nationalization of land. The present period of development in the People's Democracies is characterized by the fact that the peasant, having joined a cooperative, retains ownership of the same size plot of land as that which he transferred to the cooperative.

While promoting economic cooperation by the working peasantry, the Communist and workers' parties of the People's Democracies at the same time caution against unnecessary haste, and instruct all organizations carrying out the work of cooperative integration to maintain strict observance of the principle of voluntary entry of the peasantry into agricultural cooperatives and to afford due consideration to individual circumstances.

The Communist and workers' parties are doing everything necessary to unify agriculture and socialist industry into one complete economy; to subordinate agriculture to the leadership of socialist industry; to adjust relations between the urban and the rural areas on the basis of agricultural and industrial commodity exchange; to liquidate all the channels through which classes and, above all, capital are formed; and, finally, to create conditions of production and distribution which will lead directly and immediately to liquidation of classes. They are endeavoring to consolidate and strengthen the union of the working class with the working peasantry by way of activating the small landholding peasants and by extending to them comprehensive aid in increasing the productivity of their households and in defending them from kulak exploitation. This is also being accomplished by strengthening the ties with the medium-sized households, and by manifesting daily concern for satisfaction of the needs of all the working peasantry. Great attention is being given to intensification of political work in rural areas and to measures for increasing the personnel of the local party, government, and cooperative organizations.

Lag in Farm Production: Attacked

Successful realization of socialist industrialization has allowed the People's Democracies to concentrate even greater attention on those branches of the national economy which, for various reasons, have not kept up with the leading branches of industry. The Communist and workers' parties have, therefore, concentrated their attention on eliminating the lag in agricultural production which, at present [1954], is one of the most important tasks of the party and the governments of the People's Democracies. The latest decrees of congresses and plenums of Communist and workers' parties ensure that in a short period of time there will be an increase in harvests, further development of animal husbandry, an increase in capital investments in agriculture, a basic reorganization of MTS work, and development of those branches of machine building and the chemical industry which serve the needs of agriculture.

To ensure the necessary conditions for an increase of agricultural production in the People's Democracies and an increase in the effectiveness of both the small-producer economy and the economy of cooperatives and state agriculture, the governments have already increased considerably their aid to agriculture in the sphere of capital investments and mechanization of agriculture.

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For example, in the Polish People's Republic, capital expenditures in agriculture in 1955 will be increased 80-100 percent over 1953. In the Hungarian People's Republic, the share devoted to agriculture in the total sum of capital investments will increase more than twofold as compared with 1953. In the Rumanian People's Republic 2.5 times more capital will be allotted for development of agriculture in 1953-1955 than in 1950-1952. Large capital expenditures for agriculture have also been allocated in Czechoslovakia, Bulgaria, and Albania; these expenditures exceed considerably the capital investments of past years.

The governments of all the People's Democracies are extending aid to the peasantry in the form of credits, agricultural machinery, fertilizers, various seeds, and pedigree cattle. Mechanization of agriculture is being expanded considerably and the MTS have been organizationally and technically strengthened as a result. For example, in the Bulgarian People's Republic, the existing 6,000 tractors were to be supplemented by 1,300 tractors and 550 combines in 1954. It is planned to turn over to agriculture the equivalent of 13,000 15-horsepower tractors by the end of 1957. Forty repair shops will be constructed by the MTS during 1954. As a result of the considerable strengthening of the MTS, the proportion of mechanized agricultural work will be as follows: winter fallow plowing, 75 percent; spring plowing, 60 percent; threshing, 90 percent; row crop plowing work, 60 percent; and ensilage storage, 50 percent.

In 1952, there were more than 400 state MTS with 16,700 tractors in the Polish People's Republic. In 1955, the number of MTS will reach 850 (with a large park of tractors, combines, and other agricultural machines). The number of tractors (in terms of 15 horsepower) in all Polish agriculture in 1952 had already reached 35,000 and in 1955 it will reach 58,000.

Czechoslovak agriculture has already received more than 14,000 new tractors, approximately 1,200 combines, and many other agricultural machines. The number of tractors in Hungarian agriculture will increase from 6,000 in 1951 to more than 19,500 in 1954. In the Rumanian People's Republic, 218 MTS have been founded and equipped with 9,680 tractors, 2,850 seeders, 1,440 binders, and 2,970 cultivators. Mechanization of agriculture will increase agrotechnical service, improve the quality of land cultivation, increase yields, and expand the land area cultivated by the MTS.

In the People's Democracies, a number of measures are being carried out to introduce modern agrobiological and agrotechnical, and the newest methods of land cultivation and growing of agricultural crops.

As observed in the decisions of the congresses and plenums of the Communist and workers' parties of the People's Democracies, the production resources of individual peasant farms are still great. To utilize these resources, it has become necessary to intensify the economic influence exerted by the governments on the small-producers, while decisively overcoming class opposition. Specifically, the material interest of the working peasant in the increased productivity of his farm is becoming greater. In Poland, for example, the material interest of the peasant in the increased productivity of his farm was enhanced by the government's refraining from increasing obligatory deliveries on the increased output and affording the peasant an opportunity to sell surplus agricultural products. The government is also extending more credit to poor and medium-sized peasant households. As a result of the changes in the system of obligatory deliveries and increased aid, the profits which the peasants of Poland will receive in 1954 alone will amount to 3 billion zlotys. Similar measures are being carried out in other People's Democracies.

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